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C O N F I D E N T I A L SECTION 01 OF 03 ASTANA 000604

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SUBJECT: BOUCHER COVERS DEMOCRATIC REFORM, REGIONAL DEVELOPMENT, ECONOMIC COOPERATION WITH KAZAKHSTANI LEADERSHIP

Classified By: Ambassador John Ordway; Reasons 1.5(b) and (d).

¶1. (C) Summary: In separate meetings on February 26-27 with Prime Minister Masimov, Foreign Minister Tazhin, and Senate Speaker Tokayev, Assistant Secretary for South and Central Asian Affairs Richard Boucher told the Kazakhstani leadership that the U.S. is eager to build upon the momentum created by the President Bush - Nazarbayev discussions in 2006. Assistant Secretary Boucher emphasized that the U.S. views Kazakhstan as a key partner, capable of playing a significant role in achieving regional stability. He also stressed in his meetings that the U.S. hopes and expects that Kazakhstan will take concrete steps to achieve political reform in 2007.

Masimov, Tazhin, and Tokayev responded with similar affirmations of the importance of the U.S. - Kazakhstan relationship. Tazhin and Tokayev told Boucher that the political reform process is already underway, with Tazhin also offering a detailed argument in support of Kazakhstan's bid to chair the Organization for Security and Cooperation in Europe (OSCE). All three leaders indicated that Kazakhstan wants to be a regional leader, although they offered no new ideas on Afghanistan. Masimov and Tazhin appealed for U.S. involvement as Kazakhstan strives to diversify its economy.
End Summary.

Democratic Reform

¶2. (C) Foreign Minister Tazhin told Assistant Secretary Boucher in their February 26 meeting that most of the political elite agree that progress on democratic reform is needed. No significant rift in understanding of the situation exists, according to Tazhin. Tazhin remarked that he personally hopes for "maximum liberalization." He also claimed that Kazakhstan's bid to chair the OSCE has strengthened the drive for reform. Senate Speaker Tokayev reported in a separate meeting that the political reform process has already started and he hopes that among the first reforms will be an expansion of the Senate. According to Tokayev, the Parliament seeks the power to approve ministerial appointments and greater budgetary control. The Parliament will also push for increased powers to initiate legislation, a constitutional right that is limited in practice. Prime Minister Masimov did not directly address possible reforms during his February 26 meeting with Assistant Secretary Boucher, but he did promise to become directly involved with the political party training issue.

Organization for Security Cooperation in Europe

¶3. (C) Foreign Minister Marat Tazhin offered a broad and

lengthy defense of Kazakhstan's OSCE Chairmanship bid in his meeting with Assistant Secretary Boucher on February 26, calling it a test of the U.S. - Kazakhstan partnership. Since independence, he argued, Kazakhstan has taken a number of politically risky steps in order to draw closer to the U.S. - welcoming U.S. capital in the late 1990s, moving forward with the Baku-Tbilisi-Ceyhan pipeline, sending personnel to Iraq, and granting overflight rights for flights to Afghanistan. Kazakhstan has shown "it is a reliable partner and great friend of the U.S." In its turn, the U.S. has responded by telling Kazakhstan it will not chair the OSCE in 2009. This decision is not understood by Kazakhstan's political elite, noted Tazhin, and will be seen as "a slap in the face" with negative repercussions for the bilateral relationship.

4.(C) Tazhin claimed that a Kazakhstani chairmanship would strengthen the OSCE because Kazakhstan does not wish to radicalize the organization. The timing for a Kazakhstan chairmanship is also right. No other international organization better integrates the West and former Soviet states, said Tazhin, but the relationship is becoming more complicated. As a result, Kazakhstan could bring a new and useful perspective to the OSCE as chair. If Kazakhstan's bid is rejected, however, it will lead to renewed debate as to the future and purpose of the OSCE, he warned.

¶5. (C) Assistant Secretary Boucher welcomed Tazhin's views about the importance of the OSCE and Kazakhstan's desire that the organization remain balanced. Boucher made clear that he personally, as well as others, made three or four attempts to come to agreement with Kazakhstan on their Chairmanship before the Ministerial. Kazakhstan chose not to pursue these opportunities. Boucher continued by saying that if Kazakhstan makes the right kind of announcements on reform

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and follows with clear steps to implement them, the United States could consider coming to an agreement on their Chairmanship later in 2007.

Regional Integration and Afghanistan

¶6. (C) Assistant Secretary Boucher emphasized the U.S. belief that Kazakhstan should play a key role in achieving enhanced regional integration. There is a "political pause" in Central Asia, Tazhin commented, with the future of the region "difficult to forecast." Tazhin told Boucher that Kazakhstan thus understands that it can be an example for the region, even if it achieves political reform at a slow pace. Tazhin briefly outlined three issues that he considers key for further integration - the creation of water and energy consortium, establishment of a common market, and progress in solving social problems endemic to the region. If efforts at integration fail, Tazhin predicted, Central Asia will be "open for games not regional in nature and not good for the region." At a later dinner, Boucher and Tazhin engaged in a broad discussion of the dynamics of the region.

7.(C) Senate Speaker Tokayev and Assistant Secretary Boucher discussed recent changes in Turkmenistan. According to Tokayev, Kazakhstan considers Turkmenistan one of the most important countries in the region, with its significance only to increase. It is no coincidence, he confided, that President Nazarbayev has traveled to Ashgabat twice in recent months. Tokayev believes that the Turkmenistanis will be cautious, but that their intent is positive and change inevitable. He has already noticed changes, even in protocol. Tokayev also called on the U.S. to bring Turkmenistan and Azerbaijan together. Other countries in the Caspian region, he noted ominously, might not wish to see such a linkage. Tokayev mentioned that Uzbekistan did not send any high-ranking figures to Niyazov's funeral, which he said is both an insult under Islamic tradition and a strategic

mistake. He also remarked that a number of Uzbek businessman based in Russia are pushing for reform in Uzbekistan while simultaneously attempting to advance their own interests. To counterbalance Uzbekistan's influence in Tajikstan, Tokayev recommended that the U.S. build a hydro-electric station in Tajikistan. Assistant Secretary Boucher explained that the U.S will not build a hydro-electric station there, but is instead helping to establish the necessary conditions to ensure Tajikistan's long-term success.

¶18. (C) In his comments on regional integration, Prime Minister Masimov focused on economic cooperation. Kazakhstan is ready to cooperate regionally, Masimov told Boucher, but the countries of immediate focus are Azerbaijan and Georgia. Conditions are also good for cooperation with Tajikistan, but Uzbekistan will require time, according to Masimov. He expressed doubts about Kyrgyzstan, explaining that there are few people to work with there and even fewer to trust.

¶19. (C) The Kazakhstani leadership offered no new ideas or promises on Afghanistan. Tazhin told Assistant Secretary Boucher that Kazakhstan is focused on two approaches to Afghanistan, the first humanitarian and the second providing capital for investment projects, particularly in northern Afghanistan (Note: At a dinner for Assistant Secretary Boucher, Advisor to the Prime Minister Yerlan Sagadiyev, who has business investments in Afghanistan, expressed enthusiasm about investment in northern Afghanistan, in part because of the region's cultural, historical, and ethnic links with Kazakhstan. Conditions and mentalities in southern Afghanistan, by contrast, make investment nearly impossible, he remarked.) Prime Minister Masimov commented that Kazakhstan "wants to participate in the resolution of Afghanistan," with a primary focus on investment.

Economic Development and Energy

¶10. (C) Prime Minister Masimov expressed his desire to expand and diversify Kazakhstan's economic relationship with the U.S. Masimov told Assistant Secretary Boucher that Kazakhstan now has surplus electricity at times, but will have a deficit by 2009. As a result, Kazakhstan will need more power stations. The Ambassador told Masimov that the U.S. is ready to help Kazakhstan to explore its options.

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Kazakhstan is interested, remarked Masimov, but the project is a long term one. Masimov believes the best immediate option is to develop hydropower in Kyrgyzstan, but "we have been discussing this option for ten years."

¶11. (C) On energy, Masimov reaffirmed his interest in trans-Caspian cooperation, particularly with Azerbaijan. He called the Trans-Caspian and China pipelines most promising options. Assistant Secretary Boucher asked Masimov who would benefit from delays in expanding the capacity of the Caspian Pipeline Consortium - the Russians? You would have to ask them, Masimov said with a smile. Masimov also Boucher that Kazakhstan would like to initially use tankers to transport oil and gas across the Caspian. He is not concerned about problems of tanker capacity, he added, because Kazakhstan can build the tankers domestically. Tokayev told Boucher that Kazakhstan is trying to persuade Turkmenistan to run its gas pipeline to China directly through Kazakhstan. He believes, however, that China will want to involve Uzbekistan, as they claim that the pipeline will serve as an "instrument of peace and solidarity."

¶12. (C) Foreign Minister Tazhin lamented the lack of progress on the Houston Initiative, six years after its launch. Like Masimov, Tazhin called for U.S. assistance as Kazakhstan attempts to diversify its economy. Kazakhstan is particularly interested in attracting small and medium sized enterprises from the U.S.. Tazhin also expressed his concern

over Kazakhstan's continued inclusion on the Jackson-Vanik list. For Kazakhstan the issue is one of great symbolic importance because Armenia, Kyrgyzstan, Georgia, and Ukraine have already been removed from the list. Tazhin stated that removal of Kazakhstan from the Jackson-Vanik list would be greeted very positively and demonstrate the strength of the U.S. - Kazakhstan relationship.

ORDWAY